upstart capital
675 High Street
Palo Alto, CA 94301
(650) 463-1590
(659) 463-1595 Fax

Monday, October 29, 2001

Mr. Doug Luke
HL Capital, Inc.
405 Lexington Avenue
48th Floor
New York, NY 10174

Dear Doug,

Deepak Moorjani recently visited with you in New York to provide an update on Upstart Capital. It must be hard for you to stay focused and positive following the terrible events in the city. My thoughts are with the people in New York.

I wanted to provide my sense of where we are with Upstart given the current industry scenario and climate. It has been a difficult year for venture firms, and we have worked diligently to provide a high-level of ongoing support to our portfolio companies in this period of uncertainty. In the near term, we continue to see a market imbalance: technology and telecom businesses suffer from a lingering oversupply of products and services combined with a sharply reduced (if not eliminated) demand. As a firm, our last investment was made in November 2000, and we believe that there will be few suitable opportunities in the next 6 months.

While there is little good news on the horizon, we remain committed to building this firm, and we anticipate a slow, steady growth path. We intend to stay the course, and our larger institutional investors remain committed to the firm.

I appreciate your continued support in this endeavor, and I look forward to seeing you again in the near future. In the meantime, I remain,

Very truly yours,

Michael Spindler